

Letter of Credit No. \_\_\_\_\_

**IRREVOCABLE DOCUMENTARY LETTER OF CREDIT**

TO: STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

**GENTLEMEN:**

We hereby establish our Irrevocable Documentary Letter of Credit in favor of the Director of the Division of Oil, Gas and Mining of the State of Utah for the account of (operator name) \_\_\_\_\_  
for the aggregate amount of:

\_\_\_\_\_ dollars (\$ \_\_\_\_\_ )  
available by your drafts at sight on the bank when drawn in accordance with the terms and accompanied by the documents listed under Part C below:

A. This Letter of Credit is issued because the operator is or will be engaged in the drilling, re-drilling, deepening, repairing, operating, and plugging and abandonment of a well or wells and restoring the well site or sites in the State of Utah for the purposes of oil or gas production and/or the injection and disposal of fluids in connection therewith for the following described land or well:

\_\_\_\_\_ Blanket Bond: To cover all wells drilled in the State of Utah

\_\_\_\_\_ Individual Bond: Well No: \_\_\_\_\_  
Section: \_\_\_\_\_ Township: \_\_\_\_\_ Range: \_\_\_\_\_  
County: \_\_\_\_\_, Utah

B. This Letter of Credit is specifically issued at the request of the operator as guaranty that this fund will be available during the time that the wells referenced above are active. We are not a party to, nor bound by, the terms of any agreement between you and the operator out of which this Letter of Credit may arise.

C. Drafts drawn under this Letter of Credit must be accompanied by an affidavit from the Director of the Division of Oil, Gas and Mining stating that:

- Any well subject to the Letter of Credit is deemed necessary for plugging and abandonment and the operator has not fulfilled such obligation under the Oil and Gas Conservation General Rules of the State of Utah.
- The draft is in the estimated cost of plugging each well subject to the Letter of Credit up to the aggregate amount of the Letter of Credit.

We will be entitled to rely upon the statements contained in the affidavit and will have no obligation to independently verify any statements contained therein.

Each draft hereunder must be listed and endorsed on the reverse side of this Letter of Credit, and this Letter of Credit must be attached to the last draft when the credit has been exhausted. Drafts may be presented at the office of this bank no later than 2:00 p.m. (local time) on (date)

\_\_\_\_\_, 20 \_\_\_\_\_, and bear the clause "Drawn under the (bank name) \_\_\_\_\_,

Bank Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, 20 \_\_\_\_\_.

**THIS LETTER OF CREDIT SHALL BE DEEMED AUTOMATICALLY EXTENDED FOR A PERIOD OF ONE YEAR FROM THE CURRENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST 90 (NINETY) DAYS PRIOR TO SUCH EXPIRATION DATE, WE NOTIFY YOU THAT WE HAVE ELECTED NOT TO EXTEND THIS LETTER OF CREDIT FOR SUCH ADDITIONAL PERIOD.**

We hereby engage with the bona fide holders of this draft and/or documents presented under and in compliance with the terms of this Letter of Credit that such draft and/or documents will be duly honored upon presentation to us. Our obligations hereunder shall not be subject to any claim or defense by reason of the invalidity, illegality, or unenforceability of any of the agreements upon which this Letter of Credit is based.

(Corporate or Notary Seal here)

Attestee: \_\_\_\_\_ Date: \_\_\_\_\_

Bank Name: \_\_\_\_\_  
By (print name): \_\_\_\_\_  
Title: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Telephone No: \_\_\_\_\_  
Bank Address: \_\_\_\_\_

## INSTRUCTIONS

An owner or operator shall furnish a bond to the division prior to obtaining approval of a permit to drill a new well, reentering an abandoned well, or assuming responsibility as operator of existing wells. Disposal facilities, other than injection wells, shall also be bonded in accordance with the Utah Oil and Gas Conservation General Rules.

- A bond shall be furnished to the division on Form 4 for wells located on lands with fee or privately owned minerals.
- Evidence that a bond has been filed in accordance with state, federal, or Indian lease requirements and approved by the appropriate agency, shall be furnished to the division for all wells located on state, federal, or Indian leases.

A bond furnished to the division shall be made payable to the division.

Each bond is conditioned upon the faithful performance by the operator of the duty to plug each dry or abandoned well, repair each well causing waste or pollution, and maintain and restore the well site.

An owner or operator should consult the Utah Oil and Gas Conservation General Rules to determine proper bonding amounts, and to determine which of the following forms to use:

- Form 4A, Surety Bond
- Form 4B, Collateral Bond
- Form 4C, Irrevocable Documentary Letter of Credit
- Form 4D, Collateral Bond - Exploration and Production Waste Disposal Facility
- Form 4E, Surety Bond - Exploration and Production Waste Disposal Facility
- Form 4F, Irrevocable Documentary Letter of Credit - Exploration and Production Waste Disposal Facility

If an adequate bond is not in place within the allowable time periods as specified in the Utah Oil and Gas Conservation General Rules, the operator shall be required to cease operations immediately, and shall not resume operations until the division has received an acceptable bond.

Send to:

Utah Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801

Phone: 801-538-5340

Fax: 801-359-3940